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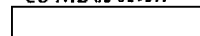
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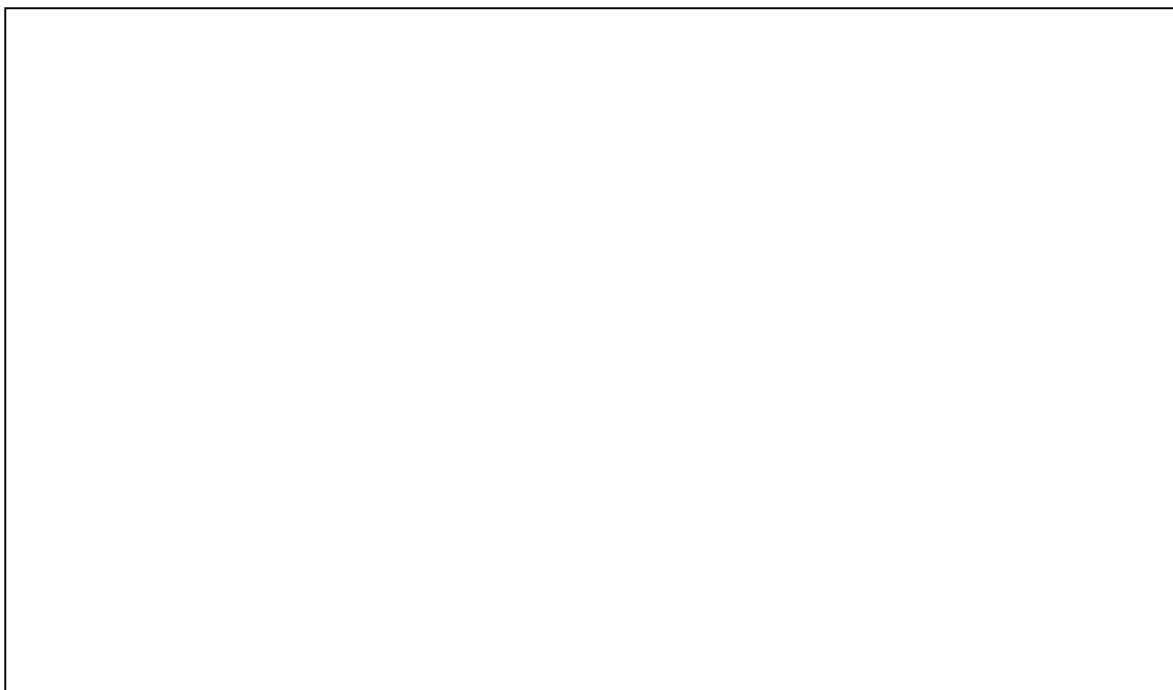


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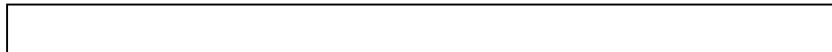


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Special Analyses

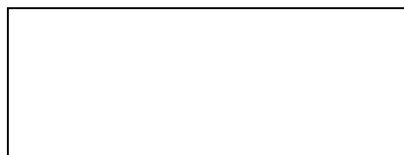


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POLAND: Additional Signs of Worker Dissatisfaction

Expressions of worker discontent continue while the Army is taking steps to entrench its role in the party. The government, meanwhile, has not ruled out compulsory deliveries from farmers. Moscow reportedly has differences with Warsaw on Soviet aid and other issues.

A government spokesman admitted yesterday that workers at the Ursus works near Warsaw have engaged in "discussions" to express dissatisfaction with the recent food price increases, but denied that any strikes had taken place. He also confirmed the magnitude of the incident in Gdansk, saying police had used tear gas and water hoses to disperse a crowd of 3,000.

The military government, meanwhile, reportedly decided in early January to assign selected reserve officers to fill the posts of party secretaries in various localities. Those chosen would serve as civilians in the party for at least 18 months, largely in urban areas. In a similar vein, a general has been appointed governor of Gdansk Province.

Comment: The government's tendency to play down the incidents of worker unrest suggests that the situation in Ursus may be more serious than it admits.

The use of officers, though technically civilians, would presumably remain under military discipline, thus maintaining the military's leading role behind a party facade. Such plans by the military indicate that it does not believe the party will soon be capable of resuming control of affairs by itself, especially in urban trouble spots such as Gdansk.

Possible Forced Deliveries of Grain

Warsaw on Monday raised grain procurement prices by 26 percent to encourage sales from private farmers, but a government spokesman yesterday refused to rule out possible compulsory deliveries if farmers fail to sell adequate amounts to the state.

Comment: The government apparently still is considering compulsory deliveries and may hope that such a

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[redacted]
system--abolished 10 years ago--will not meet with significant opposition from private farmers. It probably also calculates the move would be welcomed by urban workers who only suffer when farmers withhold food. [redacted]

The regime already may have collected data to provide the basis for a system of compulsory deliveries. Military teams that were sent to the countryside in November surveyed the assets of private farms. Although forced deliveries would increase supplies in the short run, they would create problems in the longer term because many farmers probably would cut back on crop and livestock production. [redacted]

Differences Between Warsaw and Moscow

[redacted] disagreement between Premier Jaruzelski and Moscow has arisen over Soviet aid to Poland, the timing of return to civilian government and party rule, and the possibility of government negotiations with Solidarity. [redacted] despite these differences the USSR is unlikely to seek the removal of Jaruzelski or a takeover of power by hardliners. [redacted]
[redacted]

Comment: The reported differences between Jaruzelski and the Soviets are in line with indications that Moscow had misgivings over some passages in Jaruzelski's speech last week to the parliament. Although his current handling of the situation appears to have Soviet approval, differences could become more pronounced if the military regime fails to show progress in stemming acts of defiance, restoring party cohesion, and improving the economy. [redacted]

[redacted]
[redacted] attributes Jaruzelski's "disappointing" speech to the parliament to continuing pressures from hardliners and speculates that any alternative to Jaruzelski is likely to be worse. He believes that the only way the West can influence the regime is to hold out the prospect of credits in return for the easing of martial law restrictions. [redacted]

[redacted] believe that martial law could last a long time and remain skeptical that any Western action can help the Poles. [redacted]

Comment: The official's comments illustrate a growing belief [redacted] Jaruzelski is caught between conflicting forces and is uncertain how to proceed. [redacted]
[redacted]

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USSR: Brezhnev's INF Proposal

President Brezhnev's proposal yesterday on INF broke no new ground and probably marks the beginning of a new propaganda offensive. [redacted]

TASS reports that in a meeting with the Socialist International's Advisory Committee on Disarmament Brezhnev proposed that the USSR and the West reduce the current number of medium-range nuclear weapons "aimed at targets in Europe" by two-thirds by 1990. The Soviets have maintained for some time that a balance of approximately [redacted] systems each currently exists between the USSR and the West. [redacted]

On 15 December the Soviets formally proposed at the INF talks in Geneva that both sides reduce this number [redacted] by the end of 1985 and [redacted] by the end of 1990. Allied governments are not impressed with Moscow's position but have expressed concern that it will attract considerable public interest once it is leaked. [redacted]

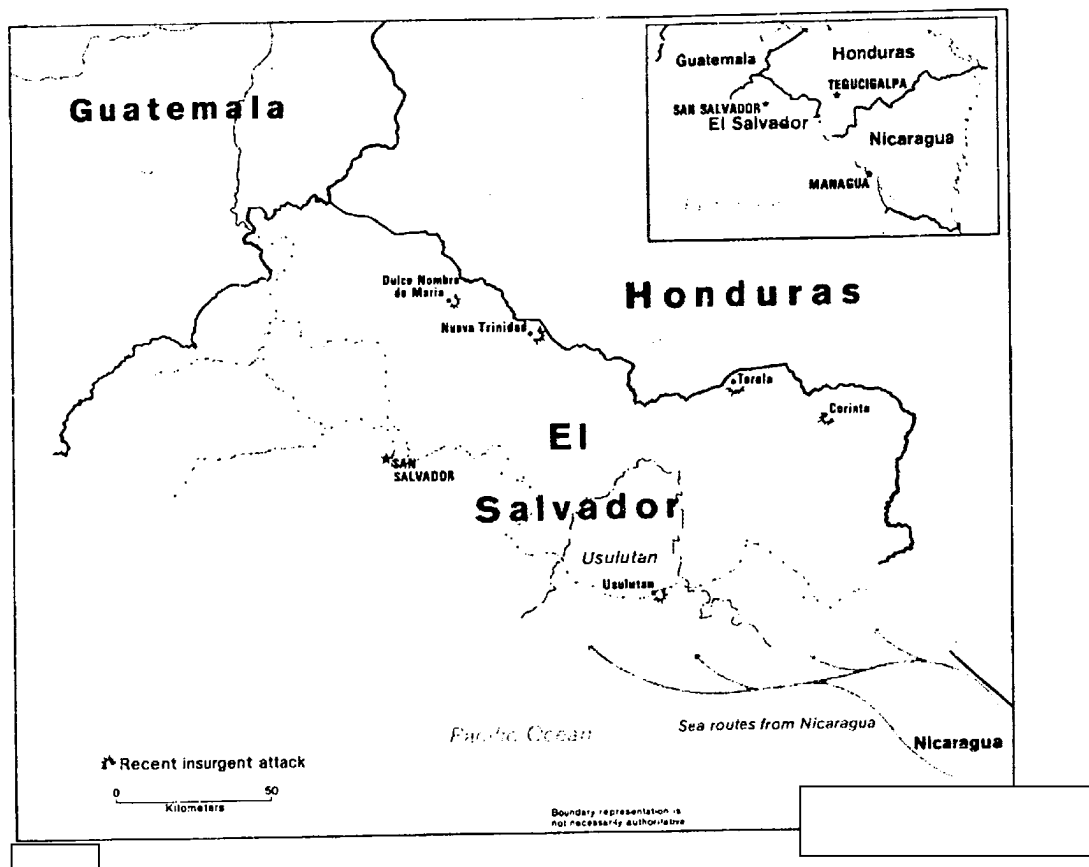
Comment: Brezhnev's reference to systems "aimed at targets in Europe" suggests that the Soviets may be willing to negotiate on systems--SS-20s--based beyond the Urals but capable of hitting NATO countries. They have hinted at a willingness to do so before, however, so there is nothing substantially new in the proposal. [redacted]

The Soviet offer will not threaten NATO's consensus on INF or give the peace movement a significant lift. The Allies, however, will want Washington to discuss in detail the shortcomings of the Soviet approach. In addition, the West Europeans will hope that the US will discuss publicly some details of its practical approach to a negotiating agreement on the "zero option." [redacted]
[redacted]

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EL SALVADOR: Insurgent Attacks

The guerrillas are attempting to take advantage of the government's weakened Air Force capabilities to expand their areas of control and demonstrate that security for the elections next month will be inadequate. [redacted]

An insurgent raid on the departmental capital of Usulután on Tuesday followed earlier attacks on several other towns in northern and eastern El Salvador. Although the guerrillas never penetrated beyond the outskirts of the city, they still hold two of several small towns previously seized in the north and east. Military and civilian casualties there reportedly have been substantial. [redacted]

The attacks [redacted] capitalize on the sabotage last week of military aircraft. Latest reports indicate only four of the eight remaining UH-1H helicopters and four of the remaining six Ouragan fighter-bombers are operational. This limits the government's ability to respond effectively to scattered guerrilla actions. [redacted]

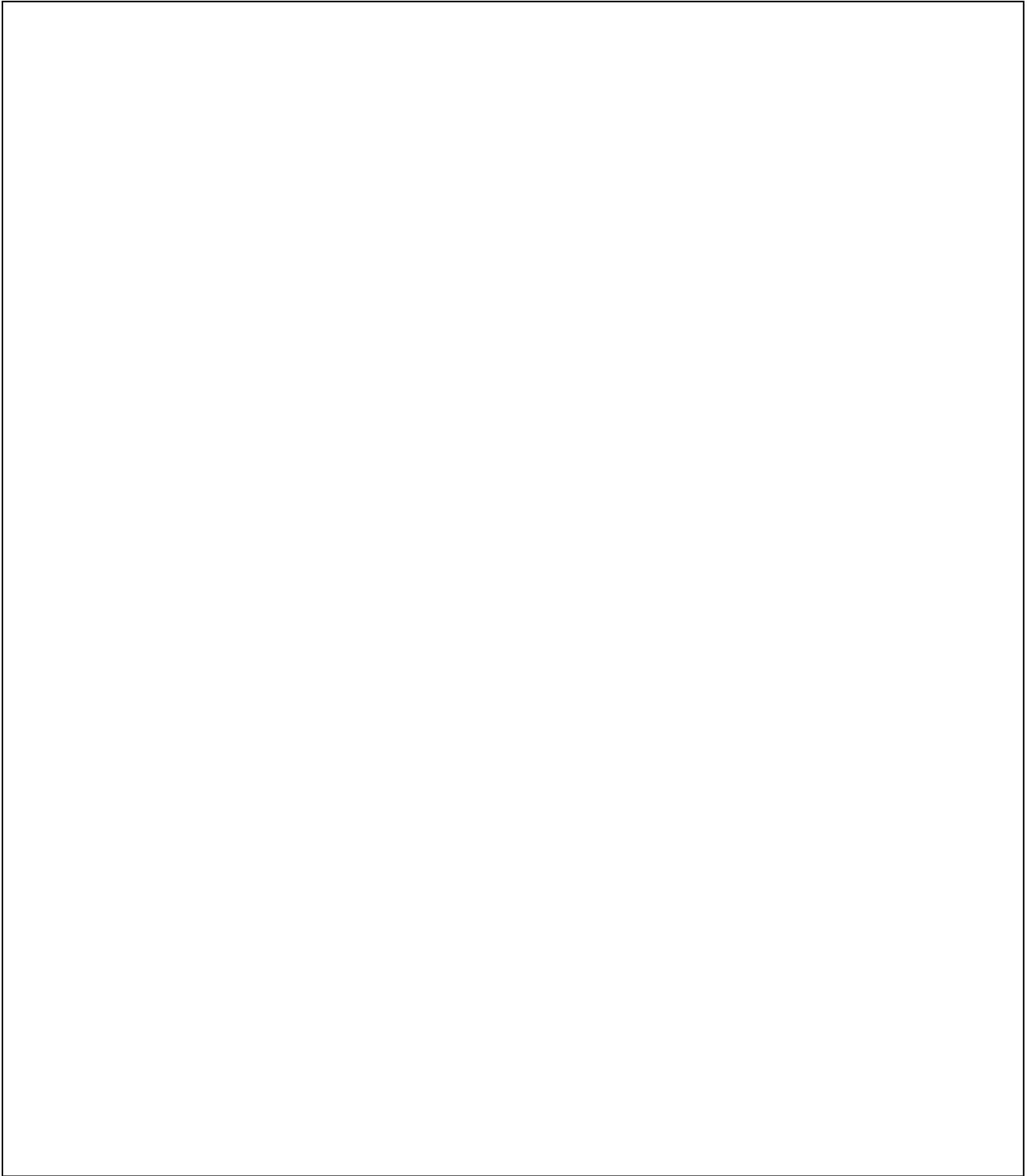
Comment: The insurgents apparently plan to continue to harass various towns in the north and east. They also may stage raids around San Salvador and will continue to sabotage transportation and communications systems. [redacted]

The guerrillas evidently are receiving substantial shipments of arms and ammunition that are delivered primarily to the coastal area in the southeast and then distributed throughout the country. [redacted]

Although the government is still concerned that the insurgents will attempt to create "liberated zones" in the north and east, this does not appear to be their immediate objective. Instead, they probably hope that continued small-scale attacks will create a climate of fear among the population and convince much of the international community that legitimate elections are impossible. Under current circumstances, their chances of success appear good. [redacted]

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IRAN-IRAQ: Military and Political Moves

Iran's continuing preparations for an offensive that could result in the largest battle of the war are unlikely to be diverted by recent Iraqi peace feelers. [redacted]

[redacted]

These military preparations are being made against the backdrop of intense Iraqi diplomatic efforts to interest Iran in a negotiated settlement. Iraq has appealed to numerous nonaligned and Western states to use their good offices to help arrange a settlement. [redacted]

Comment: The peace moves probably will not head off the Iranian offensive, which might be launched around 11 February, the anniversary of the Iranian revolution. The offensive seems designed to trap the Iraqi forces facing Shush and Dezful in the hope of causing a collapse in Iraqi morale. [redacted]

Although renewed heavy fighting seems likely, the outlines of a settlement that eventually might satisfy most of Iran's major demands appear to be emerging. The two countries, working through the UN Secretary General, are exploring conditions for a cease-fire if the Iraqis were to withdraw. [redacted]

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HUNGARY: Problems in Obtaining Credit

Hungary reportedly is gradually losing access to some of its credit lines from Western banks because of their growing reluctance to lend to Eastern Europe.

[redacted] French, Swiss, and Norwegian banks have cut their exposure in Hungary and that Austrian banks are reviewing their lending policies. Hungarian bankers have expressed concern for several months about Budapest's ability to secure medium-term loans from the West in the wake of events in Poland. Budapest reportedly has admonished Warsaw that its failure to meet its financial obligations will hurt Hungary and other East European countries.

Hungarian officials also are said to be concerned that Western sanctions against the USSR and Poland will hurt Hungary's trade and financial relations with the West and endanger its reform program. They believe that some Soviet officials would be pleased to see Hungary forced to rely less on Western trade and credits.

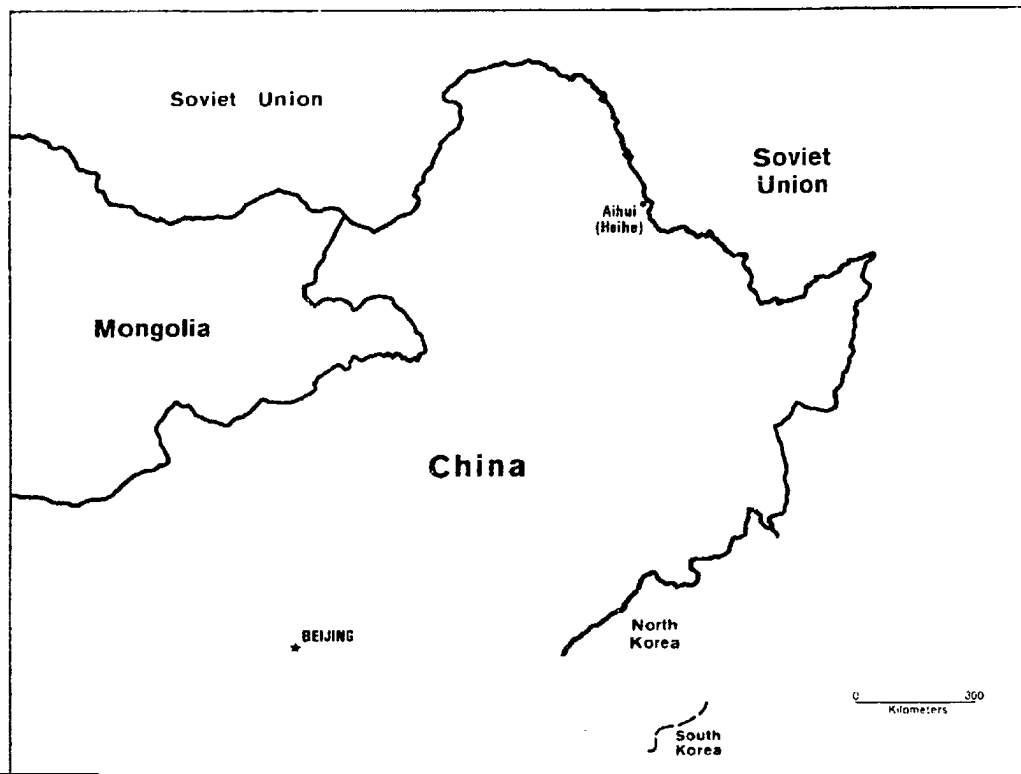
Comment: Budapest evidently has been trying for months to insulate itself economically from some of the effects of the crisis in Poland. It has approached Western banks with innovative financial proposals, a shift from its traditional policy of seeking large medium-term syndicated loans. Hungary's application for membership in the IMF and World Bank last November was almost certainly motivated in part by concern about the possibility of a decreasing availability of commercial credits.

The hesitancy of major Western banks to lend to Hungary seems likely to spread. Although a cutoff is unlikely in the immediate future, Budapest probably will find that borrowing is increasingly difficult and that available funds are short term.

Hungary's balance-of-payments position probably will deteriorate this year, but existing banker reluctance seems linked almost entirely to Poland. When knowledge of Hungary's expected current account deficit this year becomes more widely known, Western bankers will be even less willing to lend.

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USSR-CHINA: Border River Navigation Talks

The Chinese have agreed to a Soviet proposal to convene the 24th annual session of the Sino-Soviet Border River Navigation Joint Commission next Wednesday in the Chinese town of Heihe. The talks--which are unrelated to those the Soviets proposed last fall--are one of the few remaining regular bilateral contacts. The joint commission has met annually in recent years, except for a hiatus in the mid-1970s. [REDACTED]

The two sides use these sessions to try to resolve outstanding issues relating to river shipping along the border, including establishment of mutual regulations for the coming navigation season. [REDACTED]

[REDACTED]

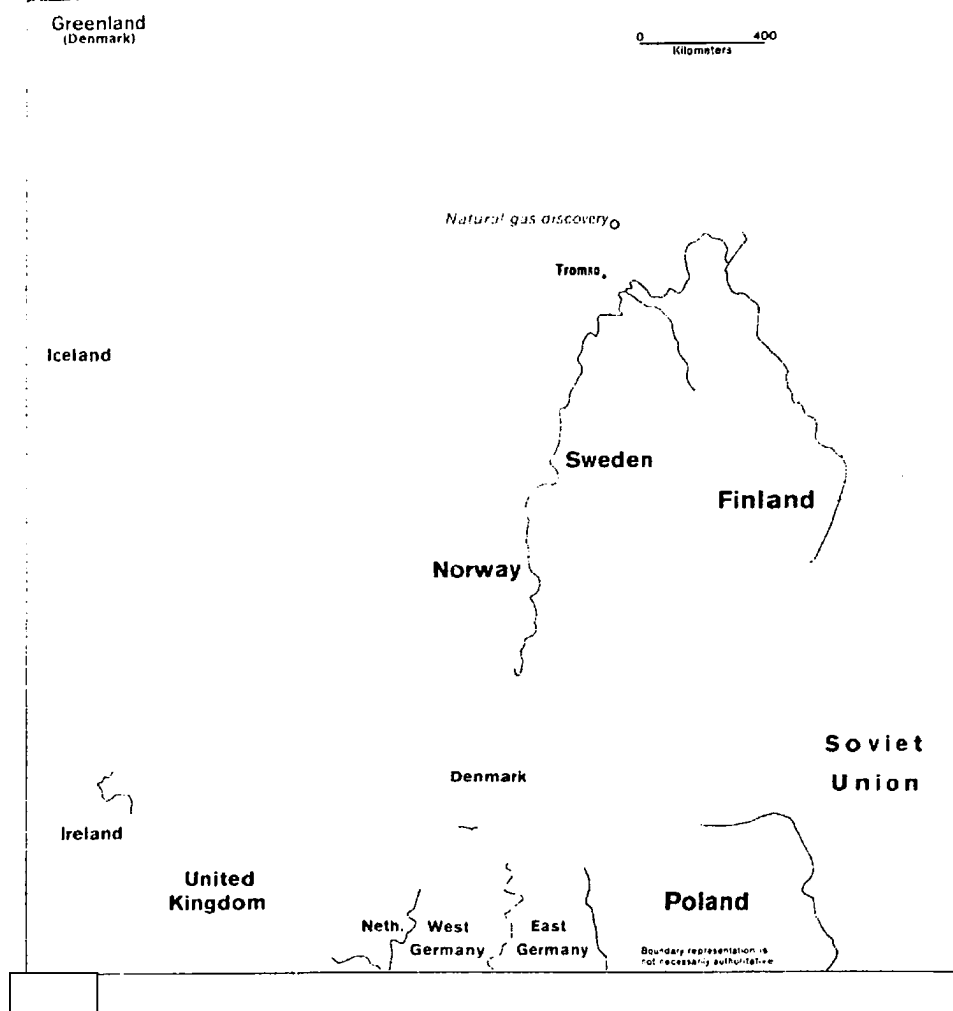
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Norway: Gas Drilling in the North



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NORWAY: Natural Gas Resources

The new government is inviting foreign oil companies to bid for offshore drilling concessions north of the 62nd parallel. Norwegian companies already have discovered 5 to 9 trillion cubic feet of gas in Arctic waters near Tromso, but authorities have decided that about 14 trillion cubic feet of gas reserves must be proven in the region to justify building a pipeline through Sweden to deliver gas to the European continent.

Comment: Foreign participation and increased development efforts could make additional Norwegian gas available for delivery to the continent before the early 1990s. Oslo, however, probably will be unable to accelerate development enough to offer the West Europeans an alternative to their currently planned purchases of Soviet gas. Norway's new policy changes could make its gas a future alternative to the proposed second leg of the Siberian pipeline for those countries willing to pay a premium.

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SPECIAL ANALYSES

POLAND: Role of the Church

[redacted]

The prolonged martial law crisis has weakened the Church's ability to mediate between the regime and society. The Church has lost its preferred role as "honest broker" facilitating dialogue between Solidarity and the state, and the hierarchy disagrees over the proper course to follow. The Church's concern about possible violence will tend to make it appear to support regime efforts to maintain control. [redacted]

Since the imposition of martial law, the Church has retained its moral authority, organizational structure, and popular support. The Church's criticism of martial law restrictions has enhanced its traditional image as defender of human rights and critic of excesses by the state. Its involvement in aid distribution has intensified its bonds with the population and has demonstrated that it remains the only reliable link with the West. [redacted]

Despite its unrivaled moral authority, however, the Church lacks the power to guide developments. Some leaders of the Church fear that government and party hardliners have enough momentum to threaten its access to the media and the freedom to teach catechism. [redacted]

The leaders also are frustrated at their failure to bring party and Solidarity moderates together and their inability to prevent dangerous outbursts such as the one last week in Gdansk. The Church's influence probably is weakest among young people--the group most likely to engage in violent resistance. [redacted]

Ambivalence Toward Solidarity

Although the Church is attempting to get the ban on Solidarity lifted and its rights restored, it knows that the regime will never consent. Furthermore, many in the

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Church who earlier counseled caution to Solidarity probably now partly blame the union--and especially its intellectual advisers--for the continuing crisis. [redacted]

Archbishop Glemp seems frustrated with the intransigence of Solidarity leaders, particularly Lech Walesa. Continued Church pressure on Solidarity to scale down its demands and to persuade Walesa to talk with the regime could put it directly at odds with union leaders. [redacted]

Differences Within the Church

There is basic agreement within the Church establishment on the need to avoid violence, to ease martial law restrictions, and to renew the union-government dialogue. At the same time, however, there are considerable differences over tactics. [redacted]

The tense situation--especially the danger that unrest will lead to more repression--makes any course of action risky. The most difficult calculation for Church leaders is gauging the amount of pressure to put on the regime. [redacted]

Archbishop Glemp has adopted a middle-of-the-road position. He believes that the Church has to take a strong stand against the regime's repressive measures. He also is afraid to undercut Premier Jaruzelski, whom he views as a moderate under siege by hardliners. Glemp has often supported Jaruzelski and has opposed US sanctions. [redacted]

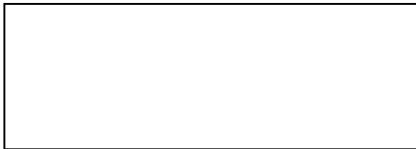
The Archbishop, however, lacks the authority of the late Cardinal Wyszynski, and his tactics have been challenged by other prelates. The more moderate among them believe that tough statements are counterproductive, while the more conservative believe the regime will move toward accommodation only under increased pressure. [redacted]

Pope John Paul II probably will discuss these differences with Glemp and several high-ranking bishops when they arrive in Rome today. The delegation includes two prelates who represent the contending viewpoints. [redacted]

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The Pope is likely to endorse continuing Glemp's strategy, perhaps with some modifications. The Pontiff would be reluctant to run roughshod over his former colleagues, however, and the resultant decision may be ambiguous enough to allow for continued differences of approach at the local level. []

Such differences need not impede seriously the Church's ability to act in a unified fashion in Warsaw. Local clashes between the Church and regime, however, may become issues of contention at the national level. []

Outlook

Despite internal disputes over tactics, concern in the Church over violence and the possibility of Soviet intervention will prompt its leaders to take positions that in effect support the regime's pacification efforts. Its standing with the populace, however, is not likely to be damaged, and the Church will continue to be in a position to encourage any eventual political accommodation. []

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GREECE-TURKEY: Relations Since Papandreou's Election

Greece's relations with Turkey have deteriorated since Prime Minister Andreas Papandreou's election last October.

The Turkish Government continues to be concerned about what it sees as provocative Greek statements, despite Greek President Karamanlis's proposal that both sides tone down the rhetoric. The Greeks, meanwhile, have been watching closely recent Turkish naval maneuvers near some of the Greek-held Aegean Islands and evidently are concerned about Turkish intentions in contested areas.

Prospects for Conflict

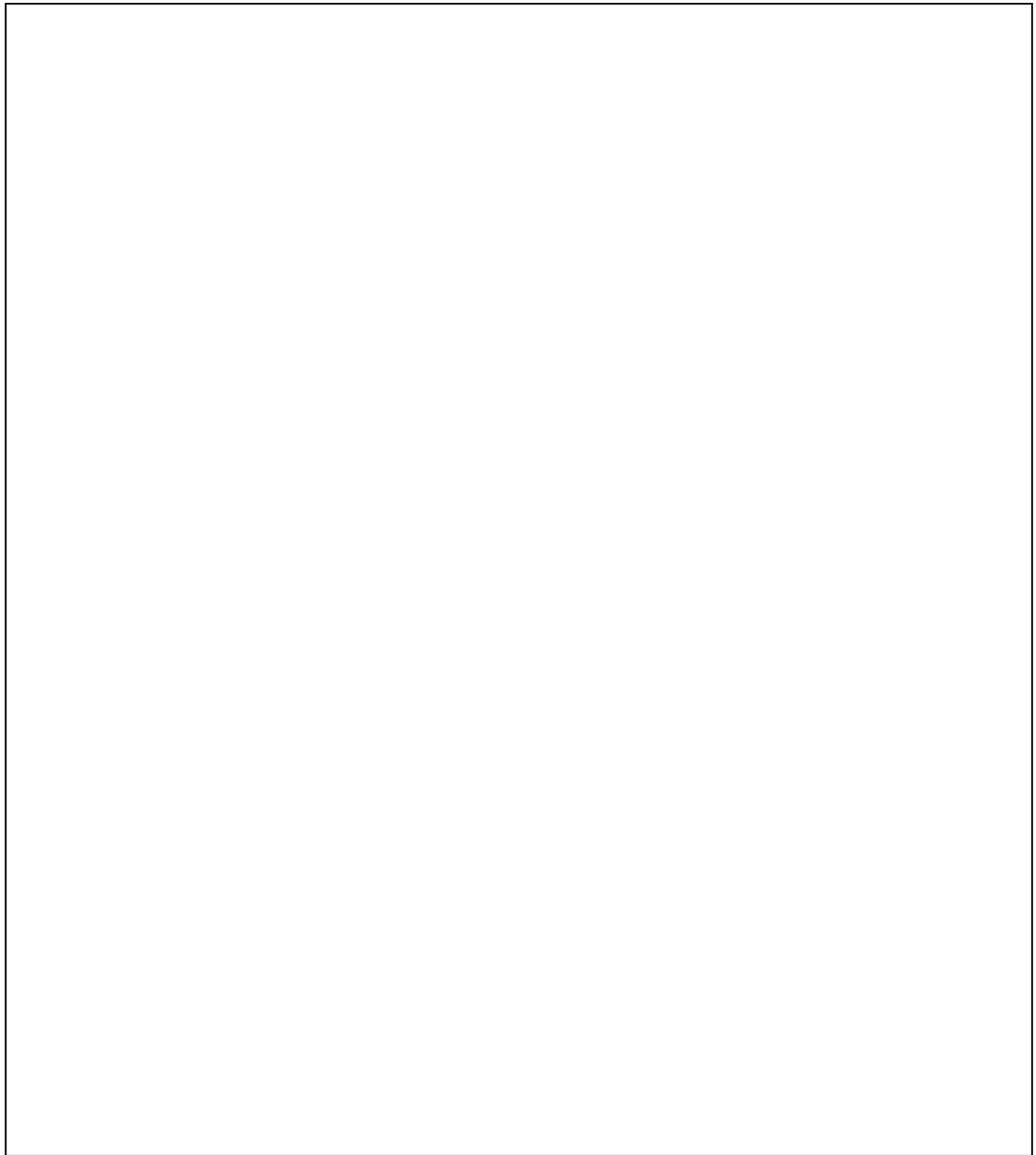
Neither Greece nor Turkey appears to be planning an attack. The political as well as military costs would be extremely high.

Mutual distrust and military posturing, nonetheless, raise the possibility of a miscalculation or an inadvertent incident that could lead to conflict.

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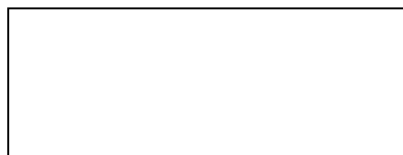


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Implications for NATO

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NATO will continue to be faced with verbal sparring between the two countries that will complicate Alliance meetings and the countries' relations with principal Allies. Moreover, the failure to resolve Aegean command and control problems will complicate integration of NATO-committed forces and prevent NATO planners from prearranging areas of responsibility and coordination procedures.

[REDACTED]

Both sides have become adept at exploiting Alliance fears regarding deterioration of the southern flank's military capability to obtain arms aid on the most advantageous terms.

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